United Nations E/C.16/2015/4

Economic and Social Council

Distr.: General
14 January 2015

Original: English

Committee of Experts on Public Administration
Fourteenth session
New York, 20-24 April 2015
Item 3 (b) of the provisional agenda*
Building trust in government in pursuit of the sustainable development goals: what will it take?

Strengthening innovation, prioritization, informed decision-making and the integration of policy development processes for enhanced impact

Note by the Secretariat

The present paper is hereby transmitted in accordance with the proposed programme of work and agenda for the fourteenth session of the Committee of Experts on Public Administration. The paper was prepared by Committee member Eko Prasojo, taking into account a discussion among an intersessional group of the Committee on the subject and, in particular, draws extensively on written contributions provided by Meredith Edwards, Francisco Longo Martinez, Alexandre Navarro Garcia and Margaret Saner. Its content and the views expressed herein are those of the author and group, and do not imply any expression of opinion on the part of the United Nations.

* E/C.16/2015/1.

15-00326 (E) 290115

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Summary

The present paper explores public trust in connection with the sustainable development goals. Building, maintaining and enhancing public trust presents a major challenge for public sectors around the world. In view of the increasing demand of citizens to be engaged in decision-making and prioritization processes, and the need to manage the growing complexity of the public agenda, the paper highlights the importance of strengthening innovation and policy integration in government in pursuit of the sustainable development goals.

Among other reforms, the author suggests that governments need to include outcomes in their repertoire of performance indicators, including measures of equity, protect the public heritage, build organizational and human resources capacity, and change governance patterns. To manage the complexity of today's public policy agenda, innovation needs to move beyond purely hierarchical views of governing and rethink the relationships between public authorities and other stakeholders.

The paper identifies ways of supporting integration of policy development, among them institutional rearrangement, a "cascading strategy", aggregate fiscal discipline, interoperability, and engagement of national and local governments in policy development. It finds that prioritization and informed decision-making are essential elements, with information and communications technology (ICT) and e-government playing a beneficial role. Finally, the paper refers to administrative reform initiatives undertaken in Indonesia, such as "co-innovation" at the local level, which is based on direct communication with citizens with a view to improving public service delivery.

I. Public trust and the sustainable development goals

1. One of the most challenging issues facing the public sector today is how to build, maintain and enhance public trust. Public trust is rooted in citizens' perceptions of the legitimacy of government action, for example, in the ability of officials to manage public resources effectively and more generally to act in the public interest. Building public trust requires a competent administration, reliable implementation and integrity, and is enhanced when government is deemed capable of exercising its functions with the expertise and resources available to it. When the government meets people's demands in a consistent way over a long period of time, it may also be perceived as performing its functions reliably, which helps in trust-building. A commitment to keeping promises is a further expression of integrity that is crucial for any government seeking public trust.

2. Building public trust is not merely the result of good public relations, as it might once have been, but is connected to a wide spectrum of governance issues. Several sources note, for example, that within the increasingly complex and uncertain domain of the public sector, building trust results from an ongoing, multifaceted relationship between government and other governance actors.[1]

3. Adequate levels of public trust are especially important in the context of the sustainable development goals, for trust is essential to advancing necessary reforms. In turn, trust can be enhanced with shifts in policy frameworks and administrative reform efforts, especially in developing countries, thereby expanding the potential for government action in pursuit of the sustainable development goals. Widespread trust in government, as both enabler and result of effective policy, is therefore pivotal to perceptions of legitimacy and ensuring the fulfilment of strategic, long-term sustainable development goals.

4. A number of countries have been undergoing political and economic transformations for at least two decades in an endeavour to expand democratic governance and advance economic development. Public sector management has often failed to keep pace, however, as evidenced by the Bertelsmann Transformation Index.[2] This may be because of a disjunction between macro- and microlevel governance practices. Whereas a socioeconomic reform agenda is related to macrolevel policies pursued in the larger public interest, public management deals with microlevel action taken by the administration to address particular public service expectations. Similarly, even if government has successfully implemented changes in public administration and management, it does not necessarily mean that public sector reform has been achieved.

5. In this regard, it may be noted that since trust has more dimensions than just public satisfaction, governments should not be complacent in adopting only performance measures that suggest high levels of satisfaction with public service delivery. Rather, governments should take further innovative ways of measuring and

[1] James E. Grunig, "Constructing public relations theory and practice", in B. Dervin & S. Chaffee, with L. Foreman-Wernet (eds.), *Communication, Another Kind of Horse Race: Essays honoring Richard F. Carter* (Cresskill, New Jersey Hampton Press, 2003); G. Shabir Cheema and Vesselin Popovski (eds.), *Building Trust in Government: Innovations in Governance Reform in Asia* (Tokyo, United Nations University Press, 2010).

[2] Bertelsmann Stiftung, "BTI 2014: Indonesia country report" (Gütersloh, Germany, 2014).

reaffirming citizen satisfaction, as appropriate, with a view to increasing public trust.[3]

6. In the current, highly complex policy environment, cross-ministry collaborations, coordinated approaches, knowledge-sharing and willingness to prioritize issues are important for a government's endeavour to achieve the sustainable development goals. However, the reality in many countries is that government ministries compete for resources, are often suspicious of a joint policymaking process and unwilling to share expertise or support goals of other ministries. Politicians, meanwhile, are under increasing pressure from a vocal and demanding citizenry to meet their needs "now" and become frustrated with the seemingly slow pace of the public administration process. This in turn can lead to the "outsourcing" of policy development to other entities such as think tanks, which is likely to weaken public administration's policy development processes.

7. Where this happens, establishing effective "commissioning" and/or making contractual arrangements at the start becomes critical. Process-oriented public services are very vulnerable to the utilization of fake data and misuse of public resources for the public officials to gain personal benefits. Many such contracts are not as transparent as they would be if delivered by a public service, and accountability measures have not caught up with the complex delivery environment that now exists in many countries.

8. The public are therefore left relying on the media and audit institutions to expose abuses, with citizens' trust in government also diminishing. Interestingly, according to some surveys, trust in the media is rising. Potentially, the perception of the media is an entirely different topic, with some people putting trust, for example, in certain bloggers within the social media context, while others continue to value the kind of investigative journalism associated with major news sources such as television and newspapers.

9. Inclusion of stakeholders in government efforts to pursue sustainable development goals also seems essential and inevitable, especially when governments are challenged by the increasing demand to involve people in decision-making and prioritization processes. According to Edelman Trust Barometer 2014, the Annual Global Study, the responsibility has typically fallen to governments to create the context for change but to many it appears either incapable or unwilling to do it.[4] As Edelman stated "People trust business to innovate, unite and deliver across borders in a way that government can't. That trust comes with the expectation and responsibility to maintain it. Therefore, CEOs [*Chief Executive Officers*] must become Chief Engagement Officers in order to educate the public about the economic, societal, political and environmental context in which their business operates." In other words, if governments fail to capture the trust of citizens, business may become increasingly influential in shaping public policies.

10. In today's information age, ICT makes it easier for citizens to access worldwide resources, and interact with others. In response, governments around the

[3] Geert Bouckaert, B. Guy Peters and Koen Verhoest. *The Coordination of Public Sector Organizations: Shifting Patterns of Public Management* (United Kingdom, Palgrave Macmillan, 2010).

[4] See www.edelman.com/insights/intellectual-property/2014-edelman-trust-barometer/about-trust/global-results/.

world, perceiving this as an inevitable reality, implement e-government initiatives. Although there is no doubt about the beneficial role of e-government, inclusiveness in policymaking and public participation within a transformative governance framework are a kind of double-edged sword. On the one hand, the fast-growing use of technology helps people become informed and engaged in decision-making processes while supporting governments in the elaboration of integrated policies across institutions and jurisdictions. On the other hand, technology enables citizens to put governments under increasing scrutiny. As citizens become more aware of shortcomings in progress towards the future sustainable development goals, trust in government may risk a further decline.

11. With this in mind, the role of innovation, policy integration, prioritization and informed decision-making in achieving the sustainable development goals will be considered.

II. Strengthening innovation

12. Public sector innovation will be essential to achieving the sustainable development goals, especially given the changing nature of the public sector from a State-centred, wide-scope, and rules-driven system to one which involves multiple actors, more limited scope, and results-oriented approaches. Maintaining conventional, old ways of public administration to exercise its functions in the current governance landscape would lead to governments' lack of performance and citizen dissatisfaction with public service delivery. Public sector innovation must be seen as a means to convince citizens that government agencies are making their best efforts to address the public interest, and thereby increase trust in government. With regard to meeting the challenge of the sustainable development goals, strengthening trust-enhancing innovation should be paramount.

13. However, not every change is an innovation. Innovation is widely associated with a breakthrough, a novelty coming from fresh ideas into a new way of applications.[5] Changes within organizations and institutions are often labelled as innovations, including incremental improvements to processes to cope with weaknesses and threats, as well as attempts to achieve similar goals by adopting new procedures and methods. In point of fact, however, "new" initiatives in the public sector, such as one-stop service delivery points, e-offices and mobile service units, are often not really new but based on practices found in the private sector.

Innovation through ICT and e-government

14. Innovation for public trust-building cannot rely on novelty alone. At the same time, efforts to achieve better government performance need to go beyond modest capacity-building in the form of employee training, reduction of complicated standard operating procedures and organizational restructuring. Strengthening

[5] John R Kimberly, "Managerial Innovation", *Handbook of Organizational Design*, P. C. Nystrom and W. H. Starbuck, eds., (New York, Oxford University Press, 1981); Lawrence Green, Jeremy Howells and Ian Miles, "Services and Innovation: dynamics of service innovation in the European Union", http://europa.eu.int/comm/economy_finance/epc/documents/; Hugo Thenint, "Mini Study 10: innovation in the public sector". Global Review of Innovation Intelligence and Policy Studies (Inno-Grips, 2010), available from http://ec.europa.eu/enterprise/policies/innovation/files/proinno/inno-grips-mini-study-10_en.pdf.

innovation needs more. Replacing manual procedures with ICT-based processing or restructuring organization towards the right size or shape, for instance, are common elements in government modernization strategies. Such initiatives do not, however, necessarily lead to an improvement in the execution of administrative functions, and may be prone to falling into the category of "fancy operations". This can be the case, for example, in some fast growing and fast reforming countries.

15. In Indonesia, establishing a one-stop service for business permits and investment through creating a new agency that aggregates functions has, for instance, led to a slight improvement in performance while a silo approach to public administration remains intact. Similarly, a government electronic procurement project at the national level has helped to relieve agencies from unnecessary and burdensome bureaucratic procedures while making procurement mechanisms more transparent, efficient and vendor-friendly. Yet, this innovation has failed to reduce the risk of corruption as a result, in part, of the inability of the electronic system to prevent illegal transactions and keep them out of administrative procedures. In addition, such systems often do not reflect the cost of goods and services based on market prices. The system is thus unable to prevent public officials from making illegal business deals with participating vendors and thereby gaining personal benefit from public resources.

16. A recent panel reviewing entries for innovation awards in public administration involving the use of technology found that some innovators had developed service delivery methods that remove contact between the citizen and public servants in procurement with the aim of reducing opportunities for corruption, which is laudable. However, these projects have not necessarily introduced any mechanism for citizen engagement other than simple feedback on service satisfaction. In such countries, it may be that addressing corruption in this way does in fact increase trust in the short term, but potentially the next stage will be citizens demanding a greater say in the design and selection of those services, and frustration if they feel their voices are not being heard.

17. There are examples of the use of technology to capture citizen input both on service delivery and on prioritization of issues and suggestions for resolving problems. In one case, this information was built into a dossier that went to the head of the civil service and other senior officials and was made available to citizens so that they too could see what was being said. The same country had also established centres for people who were not computer literate to voice their opinions to a "helper" who would enter their views into the system.

18. Apart from building public trust with a view to realizing sustainable development goals, innovation needs to be strengthened for enhanced policy impact, taking into account a comprehensive understanding of the root-cause of problems.[6] To some observers, innovation comes in the forms of improving effectiveness, efficiency and quality.[7] In the last two decades, many countries have been experimenting with innovation and reform through a variety of forms and

[6] John R. Kimberly and Gerard de Pouvourville, *The Migration of Managerial Innovation: Diagnosis-Related Groups and Health Care Administration in Western Europe* (San Francisco, Jossey-Bass, 1993), Patrick J. Howie, *The Evolution of Revolutions: How We Create, Shape, and React To Change* (Amherst, New York, Promotheus Books, 2011).

[7] David Albury and Geoff Mulgan, "Innovation in the Public Sector" (London, Improvement and Development Agency Knowledge (IDeA), 2005).

programmes, but these initiatives have not necessarily led to the success of the government in addressing the root-causes of development problems or achieving the ultimate objectives of such reforms.

19. Thus, public administration should not be overwhelmed by an internally driven course of "manufacturing innovation" within an institution that could produce many changes without any positive outcomes. Rather, institutional strategy should be linked to delivering innovation as much as possible in order to satisfy public interest.[8] This is a manifestation of the basic idea of innovation, that is, of creating a novel change or breakthrough that leads to a certain sound solution. In this regard, it is therefore a must for any administration to adopt outcomes as prime indicators of innovation, in conjunction with efficiency and output measures.

20. Innovations that generate sound solutions need to be accompanied by an effort to build public trust in government. Because people perceive fulfilment of their interests by the accomplishment of their desired benefits, innovations leading to solutions that enhance impact are more likely to be interpreted as a way for governments to demonstrate their credibility and competence, and show how much integrity they have — two essential requirements of public trust-building.

21. Referring again to the one-stop service initiative in Indonesia, continued support for the project came from the perception that the new mode of interaction was sound and reliable. This and similar initiatives are thought to have contributed to economic progress. In addition to contributing to a positive business climate, the service has had the effect of promoting business investment and reducing poverty levels.

22. Since public sector reforms may not always yield quick results but accumulate in their effect over longer periods of time, the government needs to push for sound innovation in a consistent and continuous way. The notion of continuity as an element of public trust-building seems to be largely absent from the innovation practices of developing countries. If a government changes upon regular election every four or five years, countries may experience changing innovation policies. Without consistency to ensure the continuity of innovation practices, these developing countries will be vulnerable to shortcomings in achieving the future sustainable development goals.

Improvements in efficacy and efficiency

23. The expansion, quantitative and qualitative, of social demands on policies and public services is a feature of our times. Even in Europe where authorities have actively responded to diverse social needs, it seems that not all demands are being met. On the contrary, as many public managers have experienced in recent decades, offering public services can stimulate demand, which is converted into intelligent demand, presenting an ever-greater challenge in terms of the solutions offered.

24. The ongoing effects of the economic and financial crisis have forcefully combined the expansion of social demands with increasing constraints on government budgets. While it may be possible to increase tax revenue or fund public action through fiscal deficits, these means are ever more restricted by considerations

[8] Ali Farazmand (ed.), *Sound Governance: Policy and Administrative Innovations*. (Westport, Connecticut, Praeger, 2004).

of political economy, which require the maintenance of high levels of growth and competitiveness in a globalized environment. Governments today find themselves ultimately compelled to produce greater results, and of higher quality, with fewer resources.

25. The specific challenges of innovation resulting from the need to introduce efficacy and efficiency into public services need to reflect the characteristics of each country. The points of departure are very different, and such differences have grown in recent years. In certain cases, it is a question of improving — or simply maintaining and making sustainable — the services offered by highly developed welfare states. In others, it is a matter of introducing public policies and services capable of providing acceptable levels of human development in contexts where there are many deficiencies in social development. The contents of the necessary innovations would clearly be different in each case.

26. Nevertheless, two strategies appear to be useful under both conditions. One of these is to maximize the value created for each unit of resource invested. To be sure, maintenance of basic welfare services in developed countries necessitates a focus on innovation and efficiency. This strategy, however, should be seen as the exclusive domain of wealthy governments and countries. The creation of an organizational environment capable of spending wisely is a prerequisite for surmounting a well-known conundrum of development, that is those countries most in need of cooperation and external support are the ones where the invested resources are most likely to fall short in attaining their goals. In such cases, innovation is not so much a matter of defining the solutions to meet specific social needs as it is of building the institutional capacity to analyse costs, invest adequately, contract, direct, control, evaluate, practice accountability and minimize corruption.

27. The second strategy is to consider criteria that reflect the sustainability of policies and public services. Innovation in the public sector must especially look towards the medium and long term. A private actor can legitimately innovate with an eye above all to short-term profitability. For a government, apart from emergency situations, innovation is ordinarily considered as a requirement of responding to enduring social needs. Therefore, the brilliance of instantaneous solutions is not enough. The drive for innovation in public services involves commitment to the consolidation of changes, and the capacity to maintain their effects over the long term in the pursuit of durable reforms. Sometimes, as in many European countries, sustainable innovation requires revising the provision of services and the mechanisms of financing them. Demagoguery and populism, by contrast, are antithetical to innovation.

Enhancement of equity

28. Distribution of public goods on the part of government, such as of justice and security, or of socially preferred goods such as health and education, requires attending to considerations beyond questions of efficacy and efficiency. Goals like guaranteeing equal opportunity for individuals and social groups, and avoiding exclusion and protecting the most vulnerable, form part of the agenda of innovation of policy and public services.

29. Underpinning all of these objectives there must be a fair and effective redistributive tax system. There is nothing more inequitable than concealment or fiscal fraud that permits the most privileged to take advantage of the collective

effort while being exonerated from its costs. Thus, tax administration is a frequently cited area of innovation. Regulations on inclusion of the various types of income subject to taxation and the capacity for tax collection should be priority areas for reform. A fair and effective fiscal system of universal scope is, moreover, an indispensable tool of citizenship, as it binds the reception of public goods and services together with the contributions of the individual to the collective effort.

30. Innovation to improve equity also involves building government institutions capable of ensuring access for all to public services on general terms of equality, and of guaranteeing fair treatment of issues affecting citizens. Public sector human resources management that is protected from politicization, nepotism and patronage is a foundation of this type of government.

31. In short, some professional administrations are impartial and able to cope with change, demonstrating that the benefits of innovation can be open to all and not just those who secure its benefits through market transactions. Reconciling innovation and equity must also entail careful consideration of social policies, given the enormous inequalities among individuals, groups, nations and territories that are apparent today.

Policy and the legal basis supporting innovation

32. To achieve reliability, government first needs to provide a legal basis for innovation to encourage all agencies at every level. Government decrees can be helpful in establishing rules while allowing enough flexibility for the exercise of discretion. In Indonesia, for example, innovative practices originating in pioneering local governments have subsequently been adapted by the national government and issued in the form of a government decree requiring replication to other, local governments.

33. Since 2010, the Indonesian Ministry of Administrative Reform has also initiated a national grand design of bureaucratic reform with a road map and accelerated programmes under a presidential decree. The second step in achieving reliability is positioning innovation close to its creative, unique and competitive origins. For this reason, the Indonesian Ministry of Administrative Reform has encouraged government agencies and local governments to initiate innovation based on best practices of their own. This programme, entitled "one agency, one innovation", has encouraged agencies and local government to pursue public service innovation and has raised awareness of the need for stakeholders to be part of an alliance for reform and innovation.

34. The aforementioned cases of achieving reliability in Indonesia show inclusiveness in implementing innovation policies. Collaboration and competition among government agencies at different levels and from different sectors have encouraged these agencies to surpass themselves in innovation. Networking with various stakeholders also leads to more attention being paid to innovation practices and, matching innovation to real demands of the people.

35. The Indonesian Ministry of Administrative Reform has also launched a series of regular meetings of leaders of government institutions. The purpose of the forum is to promote informed decision-making and encourage more strategic setting of priorities through information exchange. At the local level, a number of local governments have also closely engaged with grassroots leaders and civil society. For

instance, the Regency Government of Tanah Datar benefited from a traditional indigenous village entity, through which local summit meetings between heads of local governments and indigenous leaders are held to obtain policy recommendations and select issues that determine priorities of development programmes (World Bank, 2006).[9]

36. Since inclusiveness is required for public trust-building, its existence and role in driving innovation is also indispensable. No one expects resistance against innovation, but this occurs when change begins to take effect. Without inclusiveness, for example through opportunities for stakeholders to take part in hearings and participate in decision-making, innovation would be challenging to carry out.[10] Aside from generating new ideas and solutions, inclusiveness becomes critical for understanding and mapping risks when innovations are implemented. A primary risk factor is resistance from internal and external entities. Another is the possibility of encountering unexpected negative consequences or loss when innovation occurs. Without sufficient inclusiveness, the government cannot easily manage such risks. It needs the knowledge of stakeholders to make better decisions and establish priorities accordingly.

Protection of the public heritage

37. Directly connected with innovation oriented towards improving equity and coping with the complexity of policies and public services, is the matter of those who rise to the challenge of defending the public space from the risks of capture by special interests. Some have appealed to the defence of public heritage in order to protect what belongs to all, understanding that this concept extends all the way to the preservation of countries' physical, environmental, historical and artistic heritage and to the allocation and management of public resources, which is equivalent to the very definition of the content of policies and public services. Attacks on the public heritage include not only direct attempts to damage or privately appropriate any part of it, but also the existence of any kind of mechanisms of the capture, external or internal, of the public space by special interests.

38. From this standpoint, corruption forms a prominent part of the problem; that much is obvious, but practices that often become less identifiable, like the transfers or subsidies made by certain economic or professional groups exercising their political influence, or the maintenance of unproductive surplus areas of public employment, protected by trade unions or corporate systems or by the traditions of political patronage, must also be considered as attacks on the public heritage.

39. Innovation entails, in this vein, the articulation and refinement of institutional arrangements capable of firmly defending the public space from attempts at capture. This is a matter of singular importance today. The increased presence and influence of civil society in the public space which are so characteristic today carries with it important benefits for democratic government: it encourages public debate, favours the articulation of consensus, promotes diverse alliances and collaborations, stimulates transparency and improves the social control of governments and their organizations. However, it also facilitates the organization and social influence of

[9] World Bank. *Making Services Work for the Poor: Nine Case Studies from Indonesia* (Washington, D.C., 2011).

[10] Agus Dwiyanto. Building public trust through administrative reform (Jakarta, Gramedia Pustaka Utama, 2011).

interest groups, reinforces corporatism, and sometimes stimulates the expression of partisan interests; thus it creates areas in government that are vulnerable to capture.

40. Innovation applied to the strengthening of institutional arrangements that protect and defend the public heritage must not, in any case, be understood as a retreat to more self-referential public systems. On the contrary, the extension of information, transparency and deliberative spaces are, among others, the means of attaining such goals; in short, enabling processes of clarification of the interests at stake, constitutes the basic premise by which the defence of the general interest is made feasible.

Creating public values through innovation

41. The creation of public values to be upheld by leaders is essential in these complex and uncertain circumstances, as has been suggested,[11] especially with multiple levels of government. "Serve the public" has been one of the values promulgated by Indonesian leaders in various reform initiatives.[11] Where public services are insufficient, leaders at the national and local levels should take steps to deliver public services of greater value to people, increasing opportunities to meet basic social needs and at the same time positioning citizens as both stakeholders and strategic partners in governance.

42. Making education and health services available for free are examples of policies that are popular in some developing countries but may not be typical. Simplifying procedures and making them more predictable, for instance in order to obtain citizenship papers and various permits, have been the more usual ways of assuring rights to public service as well as giving investors the confidence to expand business in certain areas. To facilitate these changes, mayors in pioneering municipalities of Indonesia had built up integrated service procedures and merged overlapping agencies towards a one-stop-service mode. The responsible mayors and regents handled main approval authority for those permits in the beginning, and gradually delegated authority to agency heads after some progress had been made in the capability enhancement and deregulated procedures. Innovation-oriented government agencies at the national level have followed the lead of local governments to reform themselves accordingly.

Capacity-building for innovation

43. Without sufficient organizational and personnel capacity, all reform efforts would be rendered useless. This is well understood by government leaders in some States members of the Association of Southeast Asian Nations (ASEAN), such as Thailand, the Philippines and Indonesia, where the capacity of government personnel is lagging far behind other countries. It is for this reason that capacity-building is considered an important element of the policy innovation agenda. A common way to increase operational capacity-building is training. Short training

[11] John Benington and Mark H. Moore, eds. *Public Value: Theory and Practice*. (Basingstoke, United Kingdom, Palgrave Macmillan, 2011). Agus Dwiyanto, 2004. "Administrative reforms: what should be done? How?: the Case of Indonesia" — presentation prepared for the International Seminar "Indonesia: Challenges in the 21st Century Civil Society, Administrative Culture, and Governance Issues" (Jakarta, 28 September 2004), Holidin Defny, and others, "Position paper on bureaucracy reform continuation (in Bahasa Indonesia)" (Jakarta, Partnership for Governance Reform and Reform the Reformers, 2014).

courses and internships have become a starting programme in government ministries and agencies at the national level, and in local governments. Human capital building at ministries and government agencies may include study-abroad opportunities supported by both foreign and domestic scholarships.

44. Skills development is important but there is also a great need to cultivate a mindset among civil servants of serving citizens. Training civil servants well, so as to improve their expertise, skills and attitudes is possible with sufficient time and funding. In the case of Indonesia, there are expectations on the part of some leaders that new recruitment can help to speed up reform processes and advance an agenda of a more corruption-free, capable, service-oriented and more accountable State.[12]

45. Some government agencies in Indonesia have introduced a merit-based open, competitive selection system of recruitment of top officials. A number of leaders in local governments realized their plans in part by hiring younger, more competent employees with clean track records to run newly established one-stop-service agencies, and engaged them in strengthening management information systems. These practices are based on the thinking that merit-based open, competitive selection in recruitment offers possibilities for breaking a vicious circle of corruption in personnel administration.

46. Despite the advantages of human capital development, one of the biggest challenges that every leader should face, especially in ASEAN countries is improving the competency of civil servants for innovation, so as to better serve the public. Competency of civil servants plays a very important role in enhancing innovation in public services, which is fundamental, especially in developing countries.

Changing governance pattern in support of innovation

47. Strengthening innovative governance approaches that takes into account the need for both cross-sectoral policies and horizontal and vertical integration will require attention to:

- Moving from a hierarchical organizational structure to a flatter, more participatory structure
- Moving from authoritarian leadership to a more inclusive leadership that is not just about sharing of power but also incorporates a vision and sense of purpose
- Moving from centralized governance structures that are too bureaucratic to a more facilitating role for the centre
- Related moving from government delivery of services to funding delivery undertaken in partnership with non-governmental organizations
- Moving from silo-based organizations to more collaborative organizations; including with other jurisdictions and with non-governmental actors
- Ensuring processes of learning about what works and what does not as part of the process of implementing development policies

[12] Sofian Effendi, *The Pressing Need for Reform: The Provincial Civil Service*, Provincial Governance Strengthening Programme, Policy Issues Paper No. 2 (Washington, D.C., World Bank, 2011). Available from: http://documents.worldbank.org/curated/en/2011/05/15973662/pressing-need-reform-provincial-civil-service.

- Moving from measuring processes and activities to measuring outcomes
- Innovative use of new technologies to facilitate sharing of data and information beyond government to citizens.

Management of complexity

48. The need for innovation in public services is a direct consequence of the complexity of the current public agendas. Many complexity problems pertain to what has been called "fabricated uncertainty", that is, they do not belong to the effort of modernity to achieve understanding and dominate nature, but rather many have been created as unwanted by-products of that same emancipator effort.[13] This would apply, for example, to some of the enormous negative externalities caused by the globalization of financial capital flows, certain threats to food safety, risks inherent in global warming, the concentration of population in large urban agglomerations or the effects of the energy crisis. Expert knowledge is incapable of finding the answers because it is not so much a matter of solving technical problems as of arriving at new a consensus on basic issues, such as the meaning and limits of what we understand as progress.

49. The major difficulty for addressing these questions derives from the fact that the same values in the present and subsequent readings of reality often do not coincide. In these scenarios, innovation entails more than just the finding of solutions; it calls for building modalities of collective action based on learning that can be transferred and translated to new ways of doing things. If we think, for example, of the effort to reduce rates of leaving school prematurely or of school failure in compulsory education, it is easy to see that this is not only a matter of mandating certain content in the curriculum, or of organizing a public service of education in a certain way. There are many factors in play and diverse stakeholders involved, the policies and affected interests are heterogeneous, and the repertoire of underlying values is many-faceted.

50. Addressing questions of this nature requires governments and organizations to proceed in a very different manner from what has been traditional. It implies exploring areas of uncertainty, which are not easily entered. Innovation in policies and public services requires, in order to adequately manage the complexity of current public agendas, the abandonment of purely hierarchical views of the exercise of public power, and rethinking the framework of relations between the public authorities and other stakeholders. In fact, innovation here has to do with the ways of doing, rather than the content of policies and services.

III. Strengthening integration of policy development processes

51. Integration of policy development means rearranging institutions for more synchronized, coherent and consolidated approaches across government. While sharing resources, as appropriate, each institution exercises its own authority in the execution of its core functions. Since government in general works through hierarchical coordination, coherent policy development affects different levels within an institution and through agencies constituted to promote relations between national and local government. This section discusses integrated policy development and its

[13] Ulrich Beck. *World Risk Society* (Cambridge: Polity Press, 1999).

relevance for strategic management in policy implementation, in strengthening collective action, and avoiding a resurgence of administrative silos over the long term.

Institutional rearrangement

52. When considering sustainable development, the ultimate goal should be to go beyond administrative efficiency to achieve integrated policy development. So many of the problems connected to this integration are rooted in an overly hierarchical structure and in complicated divisions of labour among and within government institution, where different sections, departments and units work solely on their own sector-oriented policies. Integration of policy development is easier to be implemented by the national government as a benchmark, which would in turn be translated into subnational and local governments.

53. At the level of macroadministration, institutional rearrangement should aim to redefine which ministry coordinates functions across ministries, and which ministry handles sectoral areas. The more closely such ministries deal with cross-cutting issues, the better they coordinate their functions. Although this sort of rearrangement is widely implemented by countries across the world, they lack a common policy direction in its implementation. Establishing the vision and mission of national development is not enough to guide policy development in the same direction if they are not translated into each government institution's strategies. A government whose most desired policy goal is to alleviate poverty should develop all strategies and policies in every single ministry towards that goal accordingly, and all policies should contribute positively to poverty alleviation.

Cascading strategy and performance measurement

54. Integration of policy development at the level of government operations involves translating strategies into actions and measuring performance. A government institution is prevented from working coherently when its organizational structures are too hierarchical and complicated. While organizational restructuring often results in a higher cost of staff turnover and early retirement, the government could attempt a softer approach. Once a minister has envisioned the direction a ministry should take, the strategy should be cascaded from the highest administrative level to the lowest. This works best when the minister and administrators conduct strategic communications within their internal organization, fostering debates at each level of administration concerning the desired policy goals and the implementation phase, and assigning a strategic management officer.

55. It is necessary for any government institution to identify and list strategic goals and objectives from which derived key performance indicators are established at each level of administration, redefining core tasks and functions of each individual. In the Indonesian context, this kind of cascading strategy has helped to reform bureaucracy in implementation of balanced score cards and an assessment centre. The administration has further advanced this initiative through reforming the policy of division of labour and workload analysis. Considering the issues and complexities of achieving the sustainable development goals, the adoption of performance indicators and standards that have been proven to help institutions achieve clearer strategic direction is a basic prerequisite for integration of policy development.

Aggregate fiscal discipline

56. Managing fiscal policy and public finance is a useful way to ensure integrated policy development. A proposal was made to use public expenditure management in order to ensure a connection between resources used and policy direction, replacing the old way of routinized and procedure-oriented financial management.[14] Fragmented policy development is often justified in financial terms by budgetary allocations made to different institutions and for a variety of programmes. Different ministries, government agencies and even local governments share this interest in financial resource allocation and compete for additional funding year after year. Efficiency in this context is then understood as simply reducing expenditure from the amount budgeted at the outset. Given this competitive tendency, an approach to resource allocation that is designed to facilitate the achievement of common goals should help to reduce administrative silos.

57. Operational and allocative efficiency encourage a more appropriate use of public resources, towards certain fiscal policy directions, in order to improve cost-effectiveness and pursue national development goals. Budgeting might take place through a bottom-up mechanism involving each agency at each level, but the finance ministry should have the authority not only to assess proposed programmes and budget, but also to see how closely they relate to overarching policy objectives. This approach of aggregate fiscal discipline may call for government institutions in some countries to adjust their budgeting practices and furthermore to integrate policy development in the pursuit of national priorities and objectives.

Enabling interoperability

58. Consolidation, coherence and synchronization will contribute to greater integration of policy development when each policy actor, e.g., public officials, political appointees, policy advisers, pressure and interest groups, can interoperate with their counterparts. Employing ICT-based policy development through e-government implementation can help to achieve this goal.

59. Development of e-government has brought ICT within government administrations, especially for policy communication. It is not just an automation of procedures broadening the range of actions of institutional and policy-related issues. E-government implementation across the world is at different stages of development and takes place in a wide variety of forms. The problem, however, arises when, especially in developing countries, e-government becomes a source for fragmented administration and policy development owing to ad hoc and sporadic application of ICT-based administration.

60. The best e-government function creates and enhances relations between the government and businesses, citizens, government employees, and other governments. This is realized through interoperability, by which data and diagnostics are organized in a manner allowing stakeholders to be interconnected and providing them with fuller information for decision-making. Systems characterized by interoperability can thus reduce barriers to integrated policy development. Interoperability would turn complexities in policy development into a network of governance actors, allowing stakeholders to benefit from massive

[14] Allen Schick, *A Contemporary Approach to Public Expenditure Management* (Washington, D.C., World Bank, 1999).

information flow and articulation of people's aspirations. Enabled by interoperable systems, public administration may change communication strategies and business processes so as to align policymaking, administrative capability and the public interest. The question may arise as to what extent positive implications of interoperability for integration of policy development might occur. For many countries with various e-government practices, this question is not easy to answer.

61. A clear correlation has been determined between ICT and public administration concerning the causal and functional relationship between them, and affirmed that ICT has changed the way in which public administration performs functions and then contributes to its further development.[15] Against this perspective, Fountain (2001) suggests that there is no significant positive correlation between the way of using ICT and development of public administration, since within a public administration entity there are existing public values and norms that construct the culture.[16] In order to reaffirm the resolution of enabling interoperability, an earlier perspective was seen that new structures offered by technology must be blended with existing organizational practices; indeed, changing behaviour takes more time than changing technology.[17] There is a need to consider many social variables, which could affect the adaptability of technology in pursuing integration of policy development, as well as the necessity to take into account the heterogeneity of policy actors.

Integration of national and local government policy

62. Subnational governments, at the provincial and municipal levels, have been at the crossroads of executing local development following autonomous local policy and national policy direction. As has been pointed out,[18] lack of policy coherence at the national and local levels, as well as scarce network development among innovation actors, hamper economic development.[18] Wide-ranging changes in policy areas would be acknowledged as veritable initiatives of reform efforts. Nevertheless, this might also be an indication that reforms were sporadic, as their initiatives were fragmented in different sectors and levels of government.

63. Integration of policy between central and local government highlights the need for a learning culture in order to gain innovative solutions, and this is reflected in monitoring implementation. Other key elements include decentralized control and more autonomy at the local level, stakeholder participation, incentives to induce implementing units to comply and to share information about problems encountered, and accountability by holding local units accountable for their actions in a peer review process rather than through heavy centralized control.

64. One needs to be mindful of the barriers to achieving the above, given past experiences with cross-sectoral and integrated approaches. Impediments occur when the process is too top-down, where there are unclear lines of accountability, and where resources are not aligned to respective roles, which may entail sharing power.

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[15] Philippe Van Parijs, *Evolutionary Explanation in the Social Sciences: An Emerging Paradigm* (Totowa, New Jersey, Rowman and Littlefield, 1981).

[16] Jane E. Fountain, *Building the Virtual State: Information Technology and Institutional Change* (Washington, D.C., Brookings Institution Press, 2001).

[17] Gerardine DeSanctis, and Marshall Scott Pole, "Capturing the complexity in advanced technology use: adaptive structuration theory", *Organization Science*, vol. 5, No. 2, pp. 121-147.

[18] See footnote 2.

Informed decision-making and evidence-based policymaking

65. Integrated policymaking requires a combination of evidence-based policy processes and the engagement of stakeholders. For this reason, sharing of information across sectors is essential. Informed decision-making, supported in this way, can build trust when development goals match reality, and it is clear to all parties who is accountable at every level of action. Because of the complexity of development problems and their interrelationships, without informed decision-making, solving one problem could well create others. Trying possible solutions and an iterative approach may be needed to ascertain unintended effects and to learn what works and what does not. In terms of evaluation of possible approaches, evaluation at fixed time periods may be less informative than peer learning and continuous learning as implementation proceeds.[19]

66. Some administrations have espoused evidence-based policymaking while others do not recognize the process institutionally. For example, many countries have in their public administrations economists, lawyers and scientists but do not have an administrative framework or a professional role for policy analysts. Where the role does exist, its function is to explore and define problems, generate possible solutions and present options to the Minister who makes the ultimate decision. Typically, the policy experts would consult the economists, lawyers and scientists while taking into account factors such as cost, value, feasibility of implementation, impact on vulnerable groups and enforcement.

67. Most public administrations value impartiality and neutrality in this process. However, many policymakers will be aware of political imperatives, and that is why the challenge often consists of determining to what extent they can put forward a range of options, including those that may not be politically attractive. The process of decision-making or policy development has become even more complex as changes in context have occurred, such as freedom of information, extensive use of social media, more vocal and demanding citizenry, problems that cross international boundaries. At the same time, government policies being implemented by third parties in the private or voluntary sector have increased and understandably, these new actors seek to influence the choices made by governments, though they are not accountable in the same way.

68. The issue of support and legitimacy of public policy decisions has been debated over the last 15 years, in particular in connection with promotion of policy development processes that include an increasing number of stakeholders, recognition of the need to engage in dialogue with the citizens who will be impacted by the choices made.

69. Policymakers whose efforts to ensure that citizens are fully engaged have been consulted about options and understand the possible impacts of policies are likely to be confronted by the challenge of setting local goals that are in alignment with global goals. Many of the countries with established policy development processes and the skills to analyse issues and propose workable solutions are reducing the size of the public service, and cutting training and development. There is a certain risk that those who shout loudest and longest may get what they want while the vulnerable are ignored and their situation worsens. Genuine citizen engagement

[19] Grainne de Burca, Robert O. Keoahne and Charles Sabel, "Global Experimentalist Governance", *British Journal of Political Science*, vol. 44, No. 3 (2014), pp. 477-486.

therefore needs to ensure that the voice of the general citizenry is heard, which is likely to mean using a range of approaches and encouraging the "silent majority" to express its views.

70. Institutional rearrangement and enabling interoperability help governments to demonstrate competency, while cascading strategy, better performance management and aggregate fiscal discipline help government to achieve development goals in a consistent way. Policy implementation that results in the fulfilment of goals is a manifestation of integrity and leads to enhanced perceptions of trust in government.

71. Reliability of policy — another cornerstone of public trust-building — is best exercised through iterative and long-term implementation. Designing a long-term development plan is common in countries that are committed to sustainable development, which can be helpful. But, the government also needs to reduce the number of conflicting and overlapping laws and regulations through a process of legal reconciliation and consolidation.

72. When government agencies routinely and consistently follow rules and regulations, public trust increases even though changes in administration may occur. Indonesia has been undertaking a course of legal reconciliation for the last 10 years. Nonetheless, the necessity of having a legal umbrella, from which subordinate laws and regulations are derived, is suggested by the number of overlapping policies that remain, highlighting the tremendous difficulty of simplifying and harmonizing laws and regulations even with a legislative mandate in place.

73. Currently, in order to build public trust, government cannot escape from the demands of engaging other actors in policy development. It needs to reach out to stakeholders, interact with them, seek the best available knowledge and proceed on the basis of shared values. Consider, for instance, a political initiative to reduce poverty through direct disbursement of "fresh money" to the people. Although there may be a temporary statistical effect on incomes, the "real economy" may not necessarily become resilient. More importantly, implementation of the policy may be poorly coordinated among government agencies, and not involve the people who know best what they really need.

IV. Role of government leaders in co-innovation with citizens

74. Peoples' expectations about quality of life in Indonesia are rising, as evidenced by the prevalence of civil society organizations carrying out a social development agenda as well as high rates of electoral participation. At the same time, people remain sceptical of politicians and the situation may have worsened since an economic recovery policy has contributed to high performance at the macroeconomic level without strengthening the real economy, in for example, the agricultural and manufacturing sectors.

75. Distrust is a threat all reformist leaders have to face, a risk that the reformist policies they implement could be seen as useless — and consequently lacking support from society. A popular strategy embraced by leaders in Indonesia at the local level is "co-creation" or "co-innovation" of public services, put in place to facilitate a cascade of reformist ideas by learning directly from the citizen at the grass-roots level. This method is also commonly used for gaining stronger legitimacy and support by shortening the distance between the local government and people.

76. Along with mobilizing citizens and civil society to change government-society relations, the co-created government is the mark of a leader who wants to pay attention to the people in order to gain a higher degree of trust. This is particularly important for those leaders who face cultural and patrimonial sentiment based on ethnic and/or religious biases. For these leaders who agree on the virtue of co-designing policy, showing the right attitude in governing people is more powerful than dictating a formal procedure. This change of values, including the paradigm shift, is deemed an extremely important prerequisite as well as the primary way of gaining public trust for effective, more fundamental public administration reform and innovative public services.

77. Since getting in touch with citizens and the co-creation of government with grass-roots actors will not always be effective in maintaining the public trust, specific programmes generated from simple ideas that address long-standing problems are needed, such as simplifying residency administration procedures, offering tuition-free education and health services, and improving the ease of doing business through integrated one-stop services. Innovation programmes should cover a wide range of services and be broad in scope — in terms of budget allocation, number of beneficiaries and expected outcomes. As such, these innovations would connect directly to the day-to-day needs of people while enhancing front-line service quality and immediately giving stakeholders concrete evidence of the value of public sector reforms.